UNITED
NATIONS

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General Assembly

Distr.
GENERAL

A/50/666/Add.7
13 September 1996

ORIGINAL: ENGLISH

Fiftieth session
Agenda item 117

IMPROVING THE FINANCIAL SITUATION OF THE UNITED NATIONS

Report of the Secretary-General

Addendum

I. INTRODUCTION

1. The present report updates information on the financial position of the United Nations provided in the Secretary-General's last report on the subject (A/50/666/Add.6), based on contributions received as at 31 August 1996 and projections through the end of the year.

II. STATUS OF CONTRIBUTIONS

2. At 12 September 1996, 88 Member States were fully current in the payment of their regular budget assessments, compared to 72 Member States at the same point in 1995. This distinct improvement reflects the positive response of a number of Member States to the Secretary-General's appeals despite, in some cases, serious economic problems. In spite of this heartening effort, however, outstanding contributions at 31 August 1996 stood at $772.8 million, of which 73 per cent was accounted for by contributions outstanding from the Member State with the highest rate of assessment.

3. Assessed contributions outstanding at 31 August 1996 for peace-keeping operations ($2.06 billion) and international tribunals ($21.4 million) totalled $2.1 billion, of which $61.4 million was within the 30-day-due period. Approximately 53 per cent of this total amount outstanding was accounted for by amounts payable by the Member State with the highest rate of assessment.

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III. CURRENT CASH POSITION

4. The cash position of the combined General Fund (the regular budget, the Working Capital Fund and the Special Account) was a negative $18 million at the end of June and the Secretary-General was obliged to resort to borrowing from peace-keeping accounts. By the end of August, this situation had deteriorated further to a negative balance of $84 million. This was despite receipt in August of $40 million from the Member State with the highest rate of assessment, which had not been included in earlier cash flow projections. The $40 million received was part of an amount of $80 million that was approved in that Member State's national budget, subject to certification by its Government that the United Nations had taken no action to increase "funding for any United Nations programme without identifying an offsetting decrease elsewhere in the United Nations budget". As it was not clear whether or when the remaining $40 million would be disbursed, it was not included in cash flow projections.

IV. GENERAL FUND CASH FLOW PROJECTIONS

5. It is still anticipated that the cash position of the combined General Fund will remain negative through the end of 1996. As a result of the $40 million payment referred to above, however, the balance at the end of 1996 is now projected to be a negative $243 million, compared to the $287 million forecast in the Secretary-General's earlier report (A/50/666/Add.6). This forecast reflects a projected payment of $113 million in the final quarter of 1996 by the Member State with the highest rate of assessment and estimated payments by other Member States, based on information provided to the Secretariat or on Secretariat estimates based on past patterns of payments. It does not, however, include the remaining $40 million from the Member State with the highest rate of assessment that is subject to certification, as the Secretariat has received no confirmation of whether or when the amount will be paid.

V. PEACE-KEEPING CASH FLOW PROJECTIONS

6. As has been emphasized before, cash flow forecasts for peace-keeping operations are much more difficult to make than for the regular budget. The timing and amount of peace-keeping assessments and the resultant effect on the predictability of receipts are much more volatile than is the case with the regular budget.

7. Based on information currently available, the combined peace-keeping cash position at 31 December 1996 is estimated to be a positive $866 million. This reflects an increase of $29 million from the estimate of $837 million in the Secretary-General's earlier report. This fairly minor variation, given the uncertainties of estimation in this area, reflects a reduction of $50 million in anticipated disbursements and a downward adjustment of $21 million in projected receipts.

8. More significantly, these projections still assume regular payments to troop providers totalling $350 million by the end of 1996. By the end of August, $279 million of this amount had been disbursed. In addition, a special

year-end payment of $275 million to Member States for troop costs is still forecast, based on receipt by the end of 1996 of the total anticipated payment of $400 million from the Russian Federation.

9. Depending on actual receipts through the end of the year, which, in turn, may be affected by the amount and timing of the additional peace-keeping assessments to be approved by the General Assembly during the balance of 1996, additional payments for troop and equipment costs might be contemplated. On current assumptions, the total outstanding for both these items would be about $700 million at the end of 1996. The Secretary-General remains committed to reducing this amount as much and as quickly as is prudently possible, but the uncertainties inherent in these estimates, especially as regards cash receipts, make it impossible to be more precise at this point.

VI. CONCLUSION

10. On current projections, the combined cash position of the Organization will be $623 million at the end of 1996 with a negative balance for the combined General Fund of $243 million and a positive balance in peace-keeping accounts of $866 million. Although this reflects some improvement from the estimate of $550 million in the Secretary-General's earlier report, it still includes a persistent and growing cash deficit under the regular budget, which will have to be covered by continuing the financially imprudent practice of borrowing from peace-keeping accounts. It also depends crucially on peace-keeping cash flow projections that are subject to significant uncertainty.

11. Even if all the receipts now forecast are received, the Organization will remain in a financially precarious position. Total unpaid contributions are projected to be $2.2 billion at the end of the year. Furthermore, the Organization will still be dependent for its financial survival on an unacceptably high level of debt to those Member States participating in peace-keeping activities.

12. Nothing in the current situation warrants complacency. It remains crucially important that Member States meet their obligations to the Organization promptly and in full if it is to carry out its mandated activities effectively.